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# World Production and Trade

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Foreign  
Agricultural  
Service

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Weekly  
Roundup

WR 42-85

Oct. 17, 1985

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

## GRAIN AND FEED

CANADA's suspension of new export sales of higher grades of wheat to occasional customers may allow the United States to increase its exports of milling wheat. The Canadian Wheat Board's (CWB) restriction on sales of No 1. and No. 2 Canadian Western Red Spring came as a result of continued adverse weather which has seriously hurt the quality and yield of the spring wheat crop. CWB officials have stated the sales restriction will not be lifted until the entire harvest is in and the supply situation assessed. Canadian exports of high quality wheat to its traditional customers and to those with whom it has long-term agreements are expected to continue on schedule. Canada currently has long-term wheat agreements with the Soviet Union, Brazil, the German Democratic Republic, and Iraq. The current sales suspension is not expected to affect total wheat exports because there is a possibility that the damaged wheat could be exported for feed. The July-June 1985/86 export forecast remains at 16.5 million tons, down from 19.4 million tons in 1984/85.

## OILSEEDS AND PRODUCTS

SPAIN's imports of soybeans in the first eight months of the 1984/85 marketing year (Nov-Oct) were 1.4 million tons, down 29 percent from a year earlier. Soybean imports from the United States were 1.1 million tons, off 31 percent. In contrast, total soybean meal imports were up 120 percent, with an increase of almost 230,000 tons from Brazil. Given plentiful supplies of domestic olive oil, soybean meal imports are expected to climb marginally, while soybean imports remain depressed.

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Heavy flooding in northeast CHINA is expected to cut soybean output half a million tons to 9.5 million tons in 1985. The 1985/86 export estimate was lowered to 800,000 tons. It is believed that large carry-over stocks will help cushion these losses, and Chinese public statements indicate that all foreign commitments will be met.

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The U.S. agricultural counselor in Madrid lowered the forecast of SPAIN's olive oil production for 1985/86 from 450,000 tons to 325,000 tons because of drought conditions and high temperatures in key producing areas. Olive oil exports in 1984/85 are estimated at 270,000 tons compared with the previous estimate of 295,000 tons. The projected decline in exports is attributed to an excess supply on world markets. Consumption in 1984/85 and 1985/86 is expected to increase because the government is supplying the oil out of its own stocks at a subsidized price.

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FRENCH oilseed production is expected to hit a record level in 1985/86 for the third year in a row. The aggregate output of rapeseed, sunflowerseed, and soybeans for 1985/86 is projected at 2.85 million tons, 24 percent above last year's record. The U.S. agricultural counselor in Paris has cut the soybean import estimate for 1985/86 by 120,000 tons because of the competing crush of rapeseed and sunflowerseed. Soybean meal imports in 1985/86 are not expected to increase significantly because of depressed feed demand and competition from other domestic protein sources.

#### DAIRY LIVESTOCK AND POULTRY

The EUROPEAN COMMUNITY Commission accepted applications for import licenses for 123.5 tons of U.S. high quality beef (HQB) for September 1985. This brings the cumulative total for 1985 to 534.3 tons. The total quota available for the rest of 1985 is 9,466 tons out of the total quota of 10,000 tons. The strong U.S. dollar coupled with very low prices for somewhat higher grades of European beef account for the continued low exports of HQB in 1985. Import licenses issued so far in 1985 were for 534.3 tons compared with 511.3 for 1984.

Shown below are the import licenses by member states for January-Sept. 1984 and 1985, in tons:

Jan-Sept. (tons)	1984	1985
Belgium	37	27.3
Denmark	35	175
Germany	49	50.2
Greece	10.6	16
France	11.9	11.8
Netherlands	67	127
United Kingdom	300.8	124
Total	511.3	534.3

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The confirmed quantity of the EUROPEAN COMMUNITY's intervention-stock beef sale to the USSR is 175,000 tons, costing the Soviets \$262/ton for forequarters and \$578/ton for hindquarters. These prices account for EC export subsidies. Most of the beef will come from French stocks. The sale, equal to about one-third of estimated Soviet beef imports for 1985, is the only known beef sale to that country by a non-Communist-bloc exporter this year, and equals almost 20 percent of current estimated EC beef stocks.

Overall Soviet meat imports are expected to remain lower than usual through mid-1986 due to increased domestic culling and slaughter. With livestock product output falling in Bulgaria and Romania (usual suppliers), the Soviets may look to the EC again in late spring for more intervention beef. The USSR is already taking pork from Yugoslavia's oversupply, but the quantities involved are not known. There will be no direct impact on U.S. exports of meat, but this sale may help alleviate downward pressure of high EC beef stocks on prices and may avert distress sales to other markets, including the United States.

The price of \$262/ton (about 12¢/lb) is significantly lower than current international frozen beef prices, which range from \$1,000 to \$2,000 per ton, depending on the cut. The EC export subsidy is 740 ECU/MT (\$570) on forequarters and 1,250 ECU/MT (\$963) on hindquarters.

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JAPAN's pork prices have fallen dramatically to more than 100 yen per kilogram below the 600-yen floor level set under the producer price support program for 1985 (Japanese fiscal year) due to a large domestic supply. An increase in domestic pork production of about 6 percent during January-August 1985 over the same period a year ago, combined with a continuing decline in pork consumption for table use at home, a smaller-than-expected decline in imports during the first eight months this year compared with record imports last year, and the traditional shift from pork to beef in the fall and winter months, explain the sharp fall in Japan's pork market.

The Livestock Industry Promotion Corporation is entitled by law to finance storage and other expenses for intervention stocks in frozen form when prices decline but has not yet implemented this activity. Japan is not expected to take any action against imports. Imports from the United States during January-August 1985 were only 7,074 tons, which was 6 percent of total pork imports; imports from the United States made up 10 percent of total pork imports in CY 1984.

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The EUROPEAN COMMUNITY Commission announced 5- to 10-percent increases in export refunds for most dairy products, effective September 28. The increases were reportedly a result of the softening of the dollar against European currencies.

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The new subsidy levels in dollars per ton are as follows (previous level in parentheses): butter, minimum 82-percent butterfat--\$1,499.18 (\$1,432.09); skimmed milk powder--\$709.39 (\$649.41); whole milk powder--\$959.24 (\$852.08). Subsidies for cheese were unaffected. The magnitude of the increases matches fairly closely the decline in the value of the dollar against European currencies. Thus, any improvement that would be expected in U.S. competitiveness due to the decline in the value of the dollar is negated by the EC's action.

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Milk production in INDIA is expected to total 41 million tons in 1985, 6 percent above 1984, according to the U.S. agricultural counselor in New Delhi. Slightly over half of India's milk output is produced by buffalo. Milk production is increasing primarily because of better feeding and management techniques.

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Milk production in WEST GERMANY is expected to total 25 million tons in 1985, 4 percent below 1984, according to the U.S. agricultural counselor in Bonn. Reduced cow numbers and less feeding of concentrates are the reasons for the lower milk output. Butter production is forecast at 510,000 tons in 1985, down 10 percent from 1984, based on reduced milk supplies and a slight increase in the use of milk for cheese production. Cheese production in 1985 is forecast at 515,000 tons, 7 percent above 1984.

#### TOBACCO

According to the U.S. agricultural attache in MALAYSIA, imports of U.S. tobacco totalled 1,500 metric tons or 75 percent of total imports between January and June of 1985. Tobacco imports for 1985 are projected to reach 3,800 metric tons, of which 3,300 tons are expected to come from the United States. Malaysian imports from Brazil have increased from 2 percent of total imports during the January-June 1984 period to 19 percent for the same period of 1985. A shortage of low-quality domestic leaf has promoted higher imports from Korea and Thailand.

Malaysian tobacco production is projected at 8,800 metric tons, considerably higher than the previous projection of 6,500 metric tons but 16 percent below the government's target. Grower prices have risen to \$1 Malaysian/kilogram (U.S. \$.41/kilogram) despite a government ceiling of \$.86 Malaysian/kilogram (U.S. \$0.35/kilogram). Annual cigarette consumption within Malaysia continues to decline due to an economic slowdown and higher retail prices caused by increased import duties.

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## COFFEE, TEA AND COCOA

WORLD cocoa bean production for the 1985/86 season (October-September) is forecast at 1.85 million tons. The expected outturn would be 3 percent less than last year's record level of 1.9 million tons but 20 percent more than the 1983/84 harvest. Favorable growing conditions and relatively high producer prices in many countries coupled with improved productivity through management efforts are reflected in the forecast.

In WEST AFRICA, where more than half of the world's cocoa is produced, output is forecast at 981,400 tons, 6 percent less than the 1984/85 crop. In the Ivory Coast, drier conditions during May through July have made it less likely upcoming yields will match the record production of 1984/85. Rains in recent months have been excessive and the upcoming main crop may be smaller than last year's with a greater incidence of black pod. A significant drop in Nigeria's 1985/86 outlook is forecast because of unusually wet weather during the crop development season resulting in extensive pod rot damage. Many cocoa farms went unsprayed as chemical materials were unavailable. In Cameroon, cocoa production is expected to remain around 120,000 tons for the upcoming season. In Ghana the outlook for 1985/86 is for another year of increased output. Favorable weather, higher producer prices, and better supplies of inputs account for the expected increase.

SOUTH AMERICA's cocoa production for 1984/85 is projected down 5 percent from last year's record. The unusually wet and cool 1985 winter season in Bahia, Brazil, did not affect the temporao (mid-year) cocoa crop but did cause pod rot damage to the developing main crop. As a result, Brazilian output is forecast down 5 percent from last year. Brazil is continuing a modest expansion of its cocoa-harvested area with most of the increase occurring in the western state of Rondonia. Brazil has emphasized that it will give special attention to technical assistance extended by the research organization CEPLAC to small and medium size cocoa growers. In Ecuador a near-average crop is expected following a record harvest in 1984/85.

Cocoa production in ASIA is projected to expand by nearly one-fifth in the upcoming season, due to sustained expansion of growing areas in Malaysia and Indonesia. Current attractive price levels in Malaysia continue to stimulate interest in expanding cocoa cultivation. The state of Pahang, with more than 500,000 hectares of land suitable for growing cocoa, has taken the area expansion lead in Peninsular Malaysia. An additional 30,000 hectares of cocoa trees will reach full maturity in each of the next four years reflecting the feverish expansion programs of the late 1970s and early 1980s. However, the current planting rate of about 10,000 hectares per year for all of Malaysia is limited by the scarcity of investment capital. In Indonesia, where 1985/86 production is expected to increase 17 percent, cocoa has taken on an important role in supporting the increase of export commodities under the current five-year development plan. The government of Indonesia embarked on development of cocoa plantations during the last decade and has been encouraging the development of cocoa as a major foreign exchange earner.

Cocoa bean production for major countries and regions during the October-September crop year is estimated as follows in 1,000 tons:

Country/Region	1984/85	1985/86
Africa:		
Ivory Coast <u>1/</u>	540.0	500.0
Ghana	172.9	190.0
Nigeria <u>2/</u>	155.0	115.0
Cameroon	120.0	120.0
Other	52.4	56.4
Total	1,040.3	981.4
South America:		
Brazil	415.0	395.0
Ecuador	100.0	90.0
Colombia	42.0	44.0
Other	25.6	27.1
Total	582.6	556.1
Central American/Caribbean:		
Mexico	38.5	40.0
Dominican Republic	41.3	42.5
Other	19.8	20.4
Total	99.6	102.9
Asia/Oceania:		
Indonesia	30.0	35.0
Malaysia	100.0	125.0
Papua-New Guinea	30.0	30.0
Other	15.4	20.4
Total	175.4	205.4
World Total	1,897.9	1,845.8

1/ Includes marketings from Ghana.

2/ Includes cocoa marketed through Benin.

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Selected International Prices

Item	:	Oct. 16, 1985	:	Change from	:	A year
	:		:	previous week	:	ago
<hr/>						
ROTTERDAM PRICES 1/		\$ per MT		\$ per bu.		\$ per MT
Wheat:						
Canadian No. 1 CWRS-13.5%.		180.00		4.90		+5.50 190.00
U.S. No. 2 DNS/NS: 14%....		166.00		4.52		+3.00 174.00
U.S. No. 2 S.R.W. ....		138.00		3.76		+4.25 157.75
U.S. No. 3 H.A.D.....		166.50		4.53		+3.50 188.00
Canadian No. 1 A: Durum...		N.Q.		--		-- 208.00
Feed grains:						
U.S. No. 3 Yellow Corn....		110.50		2.81		+1.50 135.00
Soybeans and meal:						
U.S. No. 2 Yellow.....		204.75		5.57		+2.00 252.50
Brazil 47/48% SoyaPellets		187.00		--		+7.00 190.00
U.S. 44% Soybean Meal....		173.00		--		+6.00 177.00
U.S. FARM PRICES 3/						
Wheat.....		110.22		3.00		+2.20 126.39
Barley.....		64.30		1.40		+4.59 85.89
Corn.....		88.58		2.25		+3.39 108.27
Sorghum.....		83.11		3.77 2/		+1.98 92.59
Broilers 9/.....						
EC IMPORT LEVIES						
Wheat 5/.....		99.20		2.70		-7.80 49.95
Barley.....		99.45		2.17		-2.00 47.30
Corn.....		88.05		2.24		-3.80 43.00
Sorghum.....		100.05		2.54		-3.20 61.65
Broilers 4/ 6/ 8/.....		187.00		--		+2.00 10/ 157.00.
N.Q.						
EC INTERVENTION PRICES 7/						
Common wheat(feed quality)		155.45		4.23		+85 135.85
Bread wheat (min. quality)		165.90		4.52		+80 144.95
Barley and all						
other feed grains.....		155.45		--		+85 135.85
Broilers 4/ 6/.....		1230.00		--		+92 10/ 1063.00
EC EXPORT RESTITUTIONS (subsidies)						
Wheat .....		58.30		1.59		-.35 N.A.
Barley.....		66.60		1.45		-.45 20.20
Broilers 4/ 6/ 8/.....		108.00		--		+1.00 10/ 93.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Twelve-city, wholesale weighted average. 10/ Change from three weeks ago. N.A.=None authorized. N.Q.=Not quoted. Note: Basis November delivery.

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